

FOREIGN POLICY BULLETIN

*An interpretation of current international events
by the Research Staff of the Foreign Policy Association*



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Russia and West Face Mounting Crisis In Berlin

WASHINGTON—By agreeing that an international conference on the control of the Danube River should open in Belgrade on July 30, the United States and the Soviet Union revived hope that they would once more settle common problems by diplomatic negotiation rather than by one-sided action. This peaceful and co-operative disposition has seldom characterized relations between the two great rival powers since the conclusion of the satellite treaties in the autumn of 1946, and it is not noticeable now in Berlin, from which the Soviets are making a show of trying to oust American, British, and French officials. There Soviet procedure seems now more likely to promote conflict than conciliation. In response to the Soviet effort to force the West into negotiating a general German settlement by threatening to absorb Berlin in the absence of negotiations, the United States and Britain prepared on June 27 to make a strong joint diplomatic protest to Moscow. The French government, on the other hand, maintaining that Soviet policy in Berlin is a result to be anticipated from the decision to establish a Western German state, abstained from protesting while it urged America and Britain to treat with Russia about Berlin.

Era of Conciliation?

Despite the tension over Berlin, it is possible that the Belgrade conference will begin an era of conciliation which could facilitate the resolution of the conflict in Germany. Yet since powers friendly to Russia will dominate the conference numerically, it is also possible that the Soviet Union will obtain at Belgrade a reso-

lution limiting the freedom of navigation on the Danube. Whatever decisions the conference might reach would be inoperative until approved by the Council of Foreign Ministers (America, Russia, Britain, France), which works by the unanimity rule. The voting participants in the Belgrade conference will be the Ukraine, Bulgaria, Rumania, Yugoslavia, Czechoslovakia, Hungary, Britain, and France, as well as the United States and the U.S.S.R.

The decision to hold the conference follows up the American-British-French-Russian declaration of December 12, 1946, which committed the signatories to call such a meeting within six months after the Balkan peace treaties should come into force. The treaties with Bulgaria, Hungary, and Rumania provide that "navigation on the Danube shall be free and open for the nationals, vessels of commerce, and goods of all states on a footing of equality in regard to port and navigation charges and conditions for merchant shipping." Those treaties became effective on September 15, 1947.

The opinion that Russia will strike a note of conciliation at the Danubian conference results from the compromise reached between America and Russia about the role of Austria at Belgrade. The United States in its proposal of February 27 urged full participation by Austria in a conference, although the Four-Power Declaration provided that "Austria shall take part in the above-mentioned conferences after the question of a treaty with Austria has been settled," and no Austrian treaty yet exists. Russia twice rejected the

American proposal, but on June 12 it agreed that Austria could attend in a consultative capacity. The United States on June 18 accepted the compromise. This solution, however, may mean merely that Russia wishes to make a Belgrade conference possible in order to remain in active communication with the West but does not intend to facilitate agreement. The deputies of the Council of Foreign Ministers abandoned negotiations for agreement on the Austrian treaty on May 24, and Secretary of State Marshall on May 26 blamed Russia for the deadlock. The Administration continues to define East-West conciliation as Russian acquiescence in its own proposals.

German Conflict

Current developments in Germany, however, have dashed hopes for agreement in Belgrade, because they emphasize the split between East and West. The Western occupation powers on June 18, supplementing their decision to establish a Western German state from the American, British, and French zones, issued a devalued mark common for the whole West. On the same day Soviet occupation authorities proclaimed: "Berlin is to lose its place as Germany's capital. The currency reform will place Berlin's economy and her working population in an untenable situation which only can be solved by Berlin's close connection with the eastern [Soviet-occupied] part of Germany." Acting on that thesis, the Soviet authorities blockaded the movement of foodstuffs by railroad, highway, and canal into the zones of occupation of the Western powers in Berlin,

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populated by more than 2,000,000 persons. Only if the Western powers withdraw from the capital can Russia incorporate Berlin into the Soviet zone.

This behavior suggested that Russia intended to make the partition of Germany complete and create an Eastern German

state, but the foreign ministers of Russia, and the seven Eastern states, meeting in Warsaw on June 23, broadcast an invitation to the United States, Britain, and France the next day to agree on German unity. While American officials received this skeptically, one inference is that the

Soviet government now believes it has more to gain from sharing in the control of all Germany than it has from excluding the West from a share in the control of Eastern Germany. Such reasoning promotes a tendency toward conciliation.

BLAIR BOLLES

Israeli Cabinet Wins First Test Of Internal Strength

The one-month UN truce for Palestine, which will end on July 9, has been marred by several violent incidents thus far. But even the clear-cut violation of the truce on June 25, when Egyptian forces halted a Jewish convoy in the Negeb and fired on a UN observer plane, did not bring a collapse of the temporary peace. Nor have such incidents deterred Count Folke Bernadotte, the UN mediator, in his strenuous efforts to find a more permanent peace for the Holy Land.

Two recent developments, however, have led to strengthening the new Jewish state of Israel. For the United States has agreed to exchange diplomatic missions with Tel Aviv, and that government has just survived its first test for internal power in a struggle with Irgun Zvai Leumi, the former terrorist organization. Both events, in so far as they add to Israel's authority, will influence subsequent decisions on Palestine. President Truman's action in approving the diplomatic mission came on June 22 with the appointment of James G. McDonald to serve as special representative of this country in Israel. He has long been interested in Zionist aims and was a member of the Anglo-American Commission of Inquiry on Palestine in 1946. Previously Mr. McDonald was League of Nations High Commissioner for refugees coming from Nazi Germany. From 1919 to 1933 he was Chairman of the Board of Directors of the Foreign Policy Association and is at present its Honorary Chairman.

Battle with the Irgun

The crisis which arose in the battle with the Irgun reveals, for the first time since Britain withdrew from the former mandate, political differences among Zionists which may affect the final Palestinian settlement. The intra-Jewish fight began on June 21 when Irgun attempted to land a shipload of arms on the shores near Tel Aviv. If successful this landing would have constituted a violation of the truce Count Bernadotte is attempting to carry out. The Irgun forces, however, were dispersed by the Israeli army, Haganah,

and the ship left burning in the harbor, but not before the Tel Aviv regime had been considerably shaken.

Party Differences in Israel

The dispute between Haganah, renamed Zava Haganah (Army of Defense) on June 27, and Irgun centered on the immediate attempt to import arms, but also related indirectly to long-term policies which the new government must adopt. In the past the terrorists of the Irgun have favored establishment of a Jewish state that would include all of present-day Palestine as well as the territory east of the Jordan river in Trans-Jordan, originally also part of the mandate. Irgunist philosophy, moreover, has been unmistakably authoritarian and Rightist in political terms. The Irgun, it should be noted, is not to be confused with the Stern gang, another terrorist group which operated in Palestine before Britain's rule came to a close. The Stern gang, on the extreme Left politically, was a very small organization, while Irgun forces numbered some 5,000. On May 15 both groups had agreed to join with Haganah and end their underground activity. Yet the Irgun soon after formed a political party called the Jewish Movement for Freedom. This movement opposes the UN partition plan as well as the present truce.

Neither the importance of the battle with Irgun nor the fact that it is openly operating as a political party needs to be overrated to understand that Tel Aviv will be faced, in the future, with the problem of harmonizing the most divergent political views similar to those which have plagued the Zionist movement of the past. Before the end of Britain's authority several distinct Jewish political parties had emerged in Palestine, backed by cognate groups among Jewry abroad. The most powerful was the Mapai or Party of the Workers of Palestine, led by the present Prime Minister, David Ben Gurion. Mapai's membership is drawn mainly from the ranks of agricultural and industrial labor, white color workers and members of collectives and co-operative settlements. Two other labor

parties which have recently combined—Achdut Haavodah and Hashomer Hatzair—stand apart from Mapai and have opposed it in the past for its conservatism. They are Zionist-Socialist in ideology, and have representatives in the cabinet.

Among other political groups of varying importance in Israel are the General Zionists, the Mizrachi and Revisionists. General Zionists constitute a relatively weak center group, while Mizrachi is a religious party. Both are represented in the present cabinet. There is also a small and at the moment politically insignificant Communist party, which has recently admitted both Jews and Arabs. More troublesome to the new regime is the militant Revisionist party. This group, probably the third strongest in Israel although not represented in the cabinet, is allied to the Irgun terrorists, and like them is in favor of a Jewish state encompassing all of Palestine and Trans-Jordan. Still another, although politically ineffectual, group is that of the Cultural Zionists, led by Judah Magnes of the Hebrew University in Jerusalem. Magnes has consistently favored a binational state for both Jews and Arabs.

Future Israeli Politics

Most parties in Israel, with the possible exception of the Cultural Zionists, now are closing ranks, it is reported, in an effort to insure control of immigration and maintain the sovereign status of the new state. Compromises, which would seem essential if the UN mediator is to reconcile Arab and Jewish claims in Palestine may, however, upset the apparent unity among Zionists. The Irgun-Haganah clash is evidence of this; such differences may hinder development of a lasting settlement should the present mediation efforts come close to that eventuality. On the Arab side internal feuds among leaders of the Arab League may also prevent necessary compromises. If Count Bernadotte's mediation comes to naught it may be necessary in the end to have recourse to more moderate elements among both Jews and Arabs to achieve a lasting accord.

GRANT S. McCLELLAN

Trade In Europe Hampered By Payments Problem

In approving the Foreign Assistance Act of 1948, Congress expressly provided that the participants in the European Recovery Program must undertake a joint program of mutual aid and continuous co-operation. To be eligible for American grants and credits under the ERP, however, each country must sign by July 3 a bilateral pact with the United States, signifying its intention to follow a policy of "continued mutual cooperation."

European Exchange Policies

Negotiations on the terms of the bilateral accords have resulted in a practically complete revision of the original drafts proposed by Washington on May 13. Although the texts of the earlier drafts have not been made public, enough has been revealed to indicate that European foreign exchange practices—and indirectly, the problem of achieving or maintaining financial and monetary stability in some countries—has been the most controversial issue. According to reports from abroad, the first draft would have required other governments to give the United States a voice in determining their foreign exchange controls.

Official opinion in Washington for some time past has been critical of the general pattern of European exchange rates on the score that the ratios have not been revised to allow for the postwar inflationary rise of wages and prices. Failure to effect the necessary changes, it is reasoned, has resulted in declining exports in some instances, and thereby an intensification of the balance-of-payments problem. Since the aim of the ERP is to enable the sixteen nations to create a self-supporting economy, Administration spokesmen have directly related the Marshall Plan to the need for a revision of exchange policies. Thus, the National Advisory Council in a report made public on May 17, pointed out that the exchange rates of some European countries will require adjustments soon, and that any action should be related to American assistance under the ERP. This point of view was undoubtedly taken into account by those charged with drafting the bi-

lateral agreements. In any event, the original wording was such as to arouse a strong protest in London and Paris. Press comments there have been uniformly critical of any arrangement which might be interpreted as an infringement of the sovereign power of a government to determine the exchange value of its currency. But as members of the International Monetary Fund, ERP participants—the United States included—have already agreed to follow the decisions of that agency in all matters pertaining to foreign exchange. In its comments on the subject, the National Advisory Council properly stressed the usefulness of the Fund in effecting the required adjustments in exchange rates.

The Payments Problem

The immediate difficulty confronting Western Europe, however, is less a matter of actual exchange rates than it is the acute shortage of real resources—foodstuffs, raw materials and so on—which can be had in sufficient volume only by imports from the dollar area. American aid under the ERP will meet the more critical requirements and this at a time when the need for such assistance has become most urgent. In recent months, Western Europe has been experiencing a widely publicized balance-of-payments crisis; but what has not been generally recognized is that the exchange problem arises not merely from a lack of gold and dollars but also from the fact that some European currencies—e.g., sterling, Belgian and Swiss francs—have also become scarce for other ERP countries. The result has been a declining volume of intra-European trade. With their reserves of dollars and gold being rapidly depleted to finance essential imports, countries which have hitherto been creditors in intra-European trade have had to divert more and more of their exports to overseas markets, where payment is made in dollars or in products now coming from the United States.

The crippling effect on all of the strict balancing of exports and imports in intra-European trade has not gone unnoticed. The Paris conference last Sep-

tember created a special committee to deal with the payments problem, but little progress was made. A multilateral compensation agreement became effective January 1, 1948. Its inadequacy, however, was soon noted; accordingly, the Finance Ministers of France, Britain and the Benelux governments met recently in Brussels to devise a more effective system of payments. Their recommendations include a multilateral clearing fund of dollars supplied under ERP and European currencies obtained through the sale of relief goods provided by the United States. These proposals are now under consideration by both the sixteen-nation Organization for European Economic Cooperation and the ECA Mission in Paris headed by W. Averell Harriman, whose first task is to find out how this country can aid in reviving the trade of Europe.

Trade expansion is, in fact, the crux of the recovery problem—a point emphasized in the recent "Survey of the Economic Situation and Prospects of Europe," issued in March by the UN Economic Commission for Europe. In the past, this report noted, Western Europe had a large import surplus with Germany; but at the same time, these nations had a substantial export surplus with Britain, which in turn used its sizeable earnings from foreign investments, shipping and other services to cover the deficit. As a result of war-time losses, however, Britain's overseas revenues have been much reduced. To balance merchandise imports in the future, therefore, the sixteen nations must depend almost entirely on their commodity exports. The necessary readjustments in production and trade will require much time. In the process, it may well be that all ERP participants will find that it is survival as a free nation rather than mere sovereignty which is at stake. Western Europe, in the opinion of many observers, must either integrate or disintegrate.

HAROLD H. HUTCHESON

The National Debt and the New Economics, by Seymour E. Harris. New York, McGraw-Hill, 1947. \$3.50

A comprehensive treatment of our national debt which will be valuable to those interested in the problem.

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Citizens and Foreign Policy

News in the Making

II The Problem

The close of the Napoleonic Wars marked the dawn of a new era in which Great Britain and its Empire emerged as the number one power. It took the British people thirty years, however, to realize and begin to accept the full implications of their new position. Not until the repeal of the Corn Laws in 1846, which marked a complete shift in Britain's international economic and political orientation, did its people succeed in making a fundamental readjustment to the changed circumstances of world affairs.

In some respects the United States faces a parallel situation today, although on an incomparably larger and more complex scale. The great difference, however, lies in the fact that we shall not be given thirty years in which to learn to readjust our policies. We shall be fortunate indeed if we are given three more years. The risks involved in indecision or unwise decisions are too frightful to be left to the chance of "muddling through" in this age of the split atom.

What then, is the task before us? Wherein have we thus far failed? To put the matter in simplest terms, our primary problem arises from the fact that in a democracy, it is the people who decide on foreign policy. If the people do not understand, if they do not learn the meaning of the world in which we now live, they have the power of wrecking all hopes of future peace, through innocence as well as ignorance. We have, therefore, to call upon every possible medium of education in order that all citizens may become fully aware of the fundamental changes in world relations and of the obvious implications of America's role therein. It is a matter of "education for survival."

Since the close of World War I diverse organizations, including research institutions, peace societies and action groups, have engaged in various kinds of international educational endeavors. Among these, the Foreign Policy Association alone has proceeded from the very beginning upon one fundamental assumption: that every part and problem of the world was of interest and concern to America, and consequently that its research, publication and lecture programs should embrace all phases of world relations.

Article II of the bylaws of the Associa-

tion states that our object "is to carry on research and educational activities, to aid in the understanding and constructive development of foreign policy." It should be evident by now, however, that this all-important objective cannot be realized solely through the medium of small lectureship societies and the distribution and sale of a limited number of world affairs studies. Moreover, the knowledge and judgment of a few citizens on foreign policy do not automatically filter down through the mass of the population. A broader base both as to program and community organization must be developed.

It is the American communities, therefore, with which we must become especially concerned. But before we can explore future lines of development in these respects an appraisal of our present status should be clearly in mind. The Foreign Policy Association as of June first had a total membership of 28,900, or over 3,000 less than a year ago. These members were divided in the following categories: Branches and Affiliates, 12,357; metropolitan area, 4,272; general area including membership abroad, 3,373; libraries and organizations, 3,240; students, 5,658.

On the basis of these figures it is obvious that the organized national education program of adult citizens within communities is sadly limited. Only 12,357 members belong to the thirty-six Branches and Affiliate organizations. Of these, five of the communities thus served have less than 100 members, six are under 200, and only six have over 500 members. Added to this, moreover, is the fact that nearly three-fourths of FPA adult membership is recruited from the distaff side of the population. This means that the unparalleled sources of information and educational opportunities on world affairs offered by the FPA are reaching a still smaller proportion of responsible citizens among the male population.

The Foreign Policy Association can provide the best possible publications, general services and guidance in citizens' education on world affairs. These facilities will be of small significance, however, unless communities throughout the country are organized and prepared to receive them. "Community Organization" will be the subject of the next article.

BROOKS EMERY

Belgium, the Netherlands and Luxembourg — the Benelux countries — have agreed on measures which will result in a full economic union as of January 1, 1950. At a meeting in Namur, Belgium on June 7 and 8, high government officials discussed the problems involved in this merger, which will require integration of each member's fiscal policies, investment plans, industry controls, and so on. . . . With a view to the *possible economic development of Southeast Asia* as a source of materials for the ERP, Eugene Black, Jr., United States executive director of the International Bank for Reconstruction and Development, has accepted an invitation of the Dutch government to visit Indonesia. A mission of the Bank has recently investigated the opportunities for development of Indonesian resources, and a loan may be forthcoming. . . . The Soviet government has cut in half the *remaining reparations obligations* of Finland, Hungary and Rumania, which were scheduled to run until the early 1950s. This action, according to the Moscow press, was taken in recognition of the fact that the three former Axis satellites had effected radical changes in domestic and foreign policies and had established close ties with the U.S.S.R.

"United Nations World" Tour

United Nations World in co-operation with the Department of Public Information of the UN is sponsoring a unique tour to Europe in connection with the opening of the General Assembly in Paris, September 21. It will be led by Mr. Louis Dolivet, International Editor of the *United Nations World* and official consultant to the UN. The program includes a reception tendered by the French government, attendance at the General Assembly sessions, and other features. The "all expense" itineraries start from \$490 tourist class, \$745 cabin class, \$1,085 by air, and other rates according to accommodations. The entire trip involves absence from this country of twenty days if by ship, of twelve days if by air. For those wishing to visit other countries extensions will be available, as well as facilities and time for personal business and for sightseeing. Any FPA member wishing to go should apply at once to Mr. Clarence A. Peters at FPA National Headquarters, since membership in the tour is strictly limited.